New Trump Administration Rule Could Override State Medical Debt Protections

The rule would allow medical debt on credit reports — even in states that forbid it.

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A new Trump administration rule issued late last month could override state laws that prevent consumers' credit reports from including medical debt, potentially weakening financial protections for millions of Americans.

In recent years, more than a dozen states have taken steps to keep medical debt from hurting residents' credit scores, passing laws with bipartisan support. But new guidance from the federal Consumer Financial Protection Bureau repeals a Biden-era rule that allowed states to impose their own bans. The Trump administration has interpreted the 1970 Fair Credit Reporting Act to say that it overrides state laws around reporting debt to credit bureaus.

American consumers had at least $220 billion in unpaid medical bills in 2024, according to an analysis from research nonprofit KFF. About 6% of American adults, or 14 million people, owe more than $1,000 in medical debt.

"Medical debt is a tremendous weight keeping so many families from financial security, and, unlike most other forms of debt, it's not a choice," North Carolina Gov. Josh Stein, a Democrat, said last month in a statement announcing that a new state program had wiped out more than $6.5 billion in medical debt for more than 25 million North Carolinians.

People rarely plan to take on debt from medical care, as they do when they borrow money to buy a house or car. A one-time or short-term expense such as a single hospital stay causes about two-thirds of all medical debt, according to a 2022 Consumer Financial Protection Bureau report.

And even though most Americans have health insurance, many get stuck with unexpected medical bills because their policies have high deductibles or don't fully cover some treatments, procedures or drugs. People in worse health and those living with a disability are more likely to report medical debt, as are middle-aged adults, Black Americans, and people with low and middle incomes, according to KFF.

In the past two years, a dozen states have passed laws forbidding the inclusion of medical debt on credit reports, bringing the total number of states with such laws to 14: California, Colorado, Connecticut, Illinois, Maine, Maryland, Minnesota, New Jersey, New York, North Carolina, Rhode Island, Vermont, Virginia and Washington.

Another five states — Delaware, Florida, Idaho, Nevada and Utah — limit how and when medical debt can appear on credit reports, according to the nonprofit Commonwealth Fund.

Republican and Democratic legislators in other states, including Michigan,Ohio and South Dakota, have introduced similar bills this year.

Now the new state laws face an uncertain future. In January, while Biden was still in office, the Consumer Financial Protection Bureau finalized a ruleprohibiting credit reporting agencies from reporting medical debt in certain circumstances. Credit bureaus and credit unions sued to stop the rule. The incoming Trump administration agreed with the plaintiffs and declined to defend the rule in court, so a federal judge blocked it.

But some state legislators are confident their laws will withstand the new Trump administration rule.

“We took a belt-and-suspenders approach, where we banned medical debt from appearing on consumer reports and we banned any health care providers and debt collectors from giving that information to credit reporting agencies,” said Maryland Democratic state Del. Julie Palakovich Carr, the primary House sponsor of a state medical debt law that passed in April.

Palakovich Carr said the double layer of protection will keep medical debt off Marylanders’ credit reports, despite the new Trump administration rule.

“When we were first looking into this, I remember thinking, ‘There’s got to be a reason half the states took both approaches.’ It seemed like overkill,” she said. “Now, in hindsight, I’m very glad we took both approaches because I was not anticipating the federal announcement that might jeopardize one of those.”

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